

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2021/2022

BBF3624 – CREDIT MANAGEMENT

(All Sections/Groups)

3 DECEMBER 2021
9:00 A.M. – 12:00 P.M.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 3 pages.
2. Attempt **ALL THREE (3)** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

In light of the Government's Movement Control Order to curb the spread of the novel coronavirus (Covid-19), Majlis Keselamatan Negara (MKN) implemented several restrictions on movement. Thus, many individuals and businesses were affected by the pandemic, which is when Bank Negara Malaysia (BNM) stepped up efforts by introducing multiple measures.

On 28th June 2021, the Prime Minister announced a RM150 billion COVID-19 relief spending, and the reintroduction of the PEMULIH loan moratorium (beginning 7th July 2021) was one of the measures.

A. Explain what is loan moratorium and what is the objective of this measure?
(10 marks)

B. Propose and discuss **FIVE (5)** strategies to promote awareness on the PEMULIH Loan Moratorium
(10 marks)

(Total: 20 marks)

QUESTION 2

The export market offers excellent opportunities for Malaysian exporters. However, conducting business overseas can be complex and involve many risks. It is important for exporters to understand these risks. Understanding how to manage trade risks is key to successful exporting. As an exporter you have to find the right trade financing solution. Export-Import Bank of Malaysia (EXIM Bank) through designated commercial banks provides short-term trade financing scheme for exporters.

A. Explain and elaborate the specific short-term trade financing scheme available to exporters that being administered by Exim Bank.
(12 marks)

B. Explain the objectives and how exporters can have access to the scheme.
(8 marks)

(Total: 20 marks)

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QUESTION 3

Dolomite Corporation Berhad, an investment holding company, is engaged in the development of residential and commercial properties. The company is also engaged in building and contracting; manufacturing building materials; quarry operation and construction; manufacture of hotmixes, concrete piles, and ready-mixed concrete; and property development.

Recently the company submitted an application for a RM20.0 million loan from your bank. The company is listed on Main board of Malaysia Bourse since the last 25 years. Its bond is rated "A" and currently trading at 7.5% p.a. while comparable Government bonds is trading at 5.9% p.a.

The following financial figures were provided as follows :

	RM in million
Cash and cash equivalents	448.4
Receivables, net	1082.3
Unbilled Receivables, net	549.5
Inventory, net	1249.2
Other current assets	78.9
Other long-term assets	156.4
Share capital	94.8
Account payable	795.5
Customer advances	382.0
Payroll-related Obligations	183.6
Income taxes payable	73.5
Other current liabilities	307.3
Property land and equipment	573.6
Goodwill	995.7
Purchase intangible assets, net	432.3
Retained earnings	2505.0
Common stock shares outstanding 75,101,465 @ RM57.66 per share	
Long term liabilities	1224.6
Net Sales	8382.0
Cost of goods sold	6864.6
Selling and administrative expenses	683.5
General expenses	36.9

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Your further investigation had revealed the followings facts. The recent board of directors meeting which was held last month resolved that the Directors are authorized to apply and undertake on behalf of the company a loan of RM20.0 million. Further checking on the company and its Directors from CTOS Bhd database, Bank Negara Malaysia (BNM) database on Central Credit Reference Information System (CCRIS), Credit Bureau database on Credit Risk Report (CRR) reveals no pending legal actions and adverse credit findings. The Directors also have no criminal records after further checking with an internal fraud database, PDRM, BNM and SPRM databases. Searches from Malaysia Department of Insolvency and BankersAccuity database on all Directors and the company also produced negative findings. Those landed assets, worth RM14.0 million, have been valued by your bank's panel of registered valuers, CH Williams Talhar Wong & Yeo Sdn Bhd, are found to be free from any encumbrances and have not been used as collateral for any loans prior to this. The last bond issuance by the company was an unsecured loan stocks. The analyst of your bank also provided you with an overall positive outlook on Malaysian economy for the next 5 years and Dolomite Corporation Berhad business sector is not in the negative list of your bank.

A. Prepare statement of financial position and profit and loss (partial) using the given financial figures.

(15 marks)

B. Conduct an expert analysis by commenting (and calculating relevant ratios wherever applicable) on 5Cs methodology.

(15 marks)

C. Conduct risk premium analysis by answering the following:

- i. What is the risk premium implied from the comparison between the company's bond and the government bond? What does this mean?
- ii. Calculate its probability of non-repayment.
- iii. If the expected recovery rate is 90%, what is the consequent premium required
- iv. Based on your answers in i, ii and iii, is the premium reflected in the company's bond issuance sufficient to cover the additional risk?

(15 marks)

D. Based on the financial statements you have prepared also, calculate the Altman Z score and interpret the results and each of the components.

(15 marks)

(Total: 60 marks)

End of paper